



**RCA
CITY OF AUSTIN
RECOMMENDATION FOR COUNCIL ACTION**

AGENDA ITEM NO.: 10
AGENDA DATE: Thu 10/06/2005
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SUBJECT: Approve the negotiation and execution of a loan to Laura Culin Co. d.b.a. Austin Lumber Co., Austin TX, in compliance with applicable federal requirements, including Code of Federal Regulations Title 24 Section 85.40 performance goals, under the Neighborhood Commercial Management Loan Program in an amount not to exceed \$250,000 to reconstruct buildings for the business located at 2415 and 2419 East 5th Street.

AMOUNT & SOURCE OF FUNDING: Funding is available in the Neighborhood Housing and Community Development Department Special Revenue Fund - Section 108, Fiscal Year 2004-2005. The loan is subject to completion of the federal environmental assessment and release.

FISCAL NOTE: There is no unanticipated fiscal impact. A fiscal note is not required.

REQUESTING Neighborhood Housing **DIRECTOR'S**
DEPARTMENT: and Community **AUTHORIZATION:** Paul Hilgers
Development

FOR MORE INFORMATION CONTACT: Paul Hilgers, Director, Neighborhood Housing and Community Development, 974-3108.

PRIOR COUNCIL ACTION: N/A

BOARD AND COMMISSION ACTION: N/A

PURCHASING: N/A

MBE / WBE: N/A

This authorizes the negotiation and execution of a subordinate loan to Austin Lumber Company in an amount not to exceed \$250,000 in Section 108 Loan funds under the Neighborhood Commercial Management Loan Program for the reconstruction of three buildings lost January 1, 2005 due to a fire located at 2415 and 2419 E. 5th Street, Austin, Texas 78702, pending Environmental Review and Fund release by the U.S. Department of Housing and Urban Development.

The purpose of the Neighborhood Commercial Management (NCMP) is to assist in revitalizing blighted and depressed commercial districts by providing financial assistance to eligible small businesses within the City of Austin's incorporated city limits in exchange for job creation and/or retention for low and moderate income individuals. The NCMP loan approval process includes a review and analysis by NHCD staff and by a loan committee composed of bankers, real estate professionals, and community representatives.

Austin Lumber Company has been in existence since 1929 and is third generation owned and operated. Currently, Austin Lumber Company employs 4 full time employees and 1 part time employee.

The terms of the proposed loan will be as follows:



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- Project cost is approximately \$450,000.
- A maximum NCMP loan amount of \$250,000 with a fixed interest rate of 3% for a term of twenty (20) years.
- Commercial financing is providing a \$160,000 loan.
- The owner is providing \$40,000 in equity investment.
- The City of Austin is seeking a first lien position. If a first lien position is not obtained the City of Austin will reduce its loan to \$180,000 and accept a second lien position (subordinate to commercial financing).
- Austin Lumber will add a total of 16 jobs, or the equivalent of 8 FTE.
- At last five (5) full time positions or ten (10) part-time positions will be made available to low and moderate income wage earners. (1 FTE position for every \$35,000 in NCMP loan funds).

The staff of the Neighborhood Housing and Community development Department recommends approval of this transaction based on the financial strength of the borrower, the owner/guarantor, the economic feasibility of the project and the community impact.

Approval of this loan is consistent with NHCD's 2000-2005 Consolidated Plan. The Consolidated Plan states specifically that NHCD will provide flexible capital in the form of gap financing to businesses in blighted or depressed commercial districts and to create and/or retain jobs for low and moderate income wage earners.

Approving this loan will also further the Department's Mission: "...to provide housing, community, and small business development services to benefit eligible residents so they can have access to livable neighborhoods and increase their opportunities for self-sufficiency."